

2003 IRS Software Developers Conference
Earned Income Tax Credit (EITC)
Alice Ronk, Ass't to the Commissioner

- Alice Ronk said there was a limited amount of information that she could report until the new Commissioner reviews the possible proposals to deal with EITC accuracy and makes a decision
- Proposals to deal with EITC compliance problems deal with Income Misreporting, Filing Status, and Qualifying Child issues
- Most significant proposal is verifying "*Qualifying Child*." This is where pre-certification comes in and a test of 45,000 possible EITC claimants this summer to measure feasibility
- Third-party statements (under penalties of perjury) are being considered for folks who can't produce a marriage certificate, birth certificate, etc.
- Main purpose is to improve compliance, while minimizing burden on eligible claimants. Anything that doesn't do that isn't worth doing
- IRS' database can establish relationship test for about 80% of current EITC claimants. It's the other 20% that pose the challenge
- Currently, the IRS can only examine a very small percentage of erroneous EITC returns.
- It is very difficult to determine whether an erroneous EITC claim is intentional or caused by confusion.
- An audience member asked if public hearings were scheduled once a decision is made. No, Alice said, but an announcement formally soliciting public comments will be issued soon. IRS has been taking comments since March. Alice invited comments from the Group. Her e-mail is Alice.L.Ronk@irs.gov
- Alice discussed in some detail how various problem areas could be addressed, e.g., document matching for chronic income misreporting over a period of consecutive years
- A residency verification form is being focus group tested. Generally, the form allows taxpayers to submit documentation from selected third parties, for example, schools and health-care providers. The form also contains a third party statement section that a taxpayer can submit instead of documentation. The statement can be completed by a number of individuals, including school officials, health care providers, day care providers and clergy.
- Currently the Commissioner is reviewing whether the IRS will pursue residency verification only or will pursue residency and relationship verification.
- Alice closed by saying that IRS continually reviews high-risk compliance groups. Those that aren't identified as such now, may become an issue in the future. If so, we will propose actions accordingly